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Abstract

How much may your property cost and how can you finance it? This thesis will show you various financing models and guide you through the typical real estate financing instruments in Germany today. Since in real estate financing there is no cookie-cutter solution, a good real estate financing is tailor-made for each situation.

In essence, the same instruments are used for private real estate financing and commercial real estate financing: loans, mortgages, and derivatives for interest fixing. The property to be financed is usually taken as collateral to secure the financing, the bank charges it with a land charge. The advantage of such classical real estate financing is its simplicity and comprehensibility for the consumer and the low costs due to standardization to the bank. But it has its limits when it comes to larger projects or even portfolio financing.

In addition, there is the structured property financing, which is mainly used for commercial real estate financing and project developments. In this case, the cash flow of the object to be financed is much more important than in the case of classic financing. An important aspect is the investor's chosen capital structure, e.g. the share of equity or the use of mezzanine capital. Since these financing options are much more complicated they need close controlling and cooperation between investors, project developers and banks.

The application area of financing models in the real estate sector is large, as these models cannot only be used for long-term object financing, but also be used in the upstream and downstream phases of the real estate cycle. It is also possible to combine the various types of financing and to adapt them to the needs and requirements of the property and the investors.